Retirement Wealth: Savvy Investors Turned $50,000 Into $500,000 in Just 20 Years

Description

Canadians can take advantage of a popular investing strategy inside their RRSP and TFSA to build significant funds for retirement.

Power of compounding

Professional investors have known for decades that building substantial retirement savings takes time but not necessarily a lot of money. In fact, investors who buy top dividend stocks and use the distributions to acquire more shares can harness the power of compounding to quietly build a small fortune from a relatively modest initial investment.

The process takes patience to ride out the downturns and discipline to let the investments to do their magic. These days, it is easier than in the past, as most online brokerage accounts let you set up the dividend-reinvestment process to happen automatically.

The best dividend stocks to buy for a TFSA retirement fund tend have strong track records of payout growth supported by rising revenue and higher profits. These stocks normally get rewarded with rising share prices when the business performs well over time.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) started out as a small local utility company in eastern Canada. Today, the business has $56 billion of assets spread out across Canada, the United States, and the Caribbean.

Fortis gets most of its revenue from regulated businesses, such as power generation plants, electric transmission networks, and natural gas distribution utilities. The reliability of the cash flow makes it easier to plan for organic growth projects and to ensure the dividend increases at a steady pace. Fortis is currently working on a five-year capital program that will increase the rate base from $30.5 billion in

2020 to $36.4 billion in 2023 and to $40.3 billion by the end of 2025.

As a result, the board expects cash flow to improve enough to give investors an average dividend increase of 6% per year over that timeframe. This is great guidance for investors who rely on dividend growth to build their retirement savings.

Fortis raised the distribution in each of the past 47 years, so there should be little reason to doubt the company’s forecasts.

Additional development opportunities are under consideration, including the Lake Erie Connector electric transmission project and natural gas initiatives, including liquified natural gas (LNG) infrastructure in British Columbia.

Fortis also grows through acquisitions, and it isn’t afraid to do large deals. In fact, Fortis purchased Michigan-based ITC Holdings in 2016 for US$11 billion. The integration of the electric transmission company went well, and the assets have performed as expected over the past five years.

As the Canadian and U.S. utility sectors consolidate, Fortis could make new strategic purchases to further balance the revenue stream and grow the asset portfolio.

The stock trades near $56 per share at the time of writing compared to the 2021 high around $59, so investor have a chance to buy the shares on a bit of a pullback. The current distribution provides a dividend yield of 3.6%.

Long-term investors have done well with the stock. A single $5,000 investment in Fortis just 20 years ago would be worth $50,000 today with the dividends reinvested. A $50,000 investment would be worth half a million!

The bottom line on TFSA investing for retirement

Fortis is just one of many top dividend stocks in the **TSX Index** that have generated similar returns over the past two decades. Future results are not guaranteed to be the same, but the strategy of using distributions to buy new shares is a proven one for building retirement wealth.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. TSX:FTS (Fortis Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred

5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. aswalker
2. kduncombe

Category

1. Investing

Date
2025/09/10
Date Created
2021/09/29
Author
aswalker